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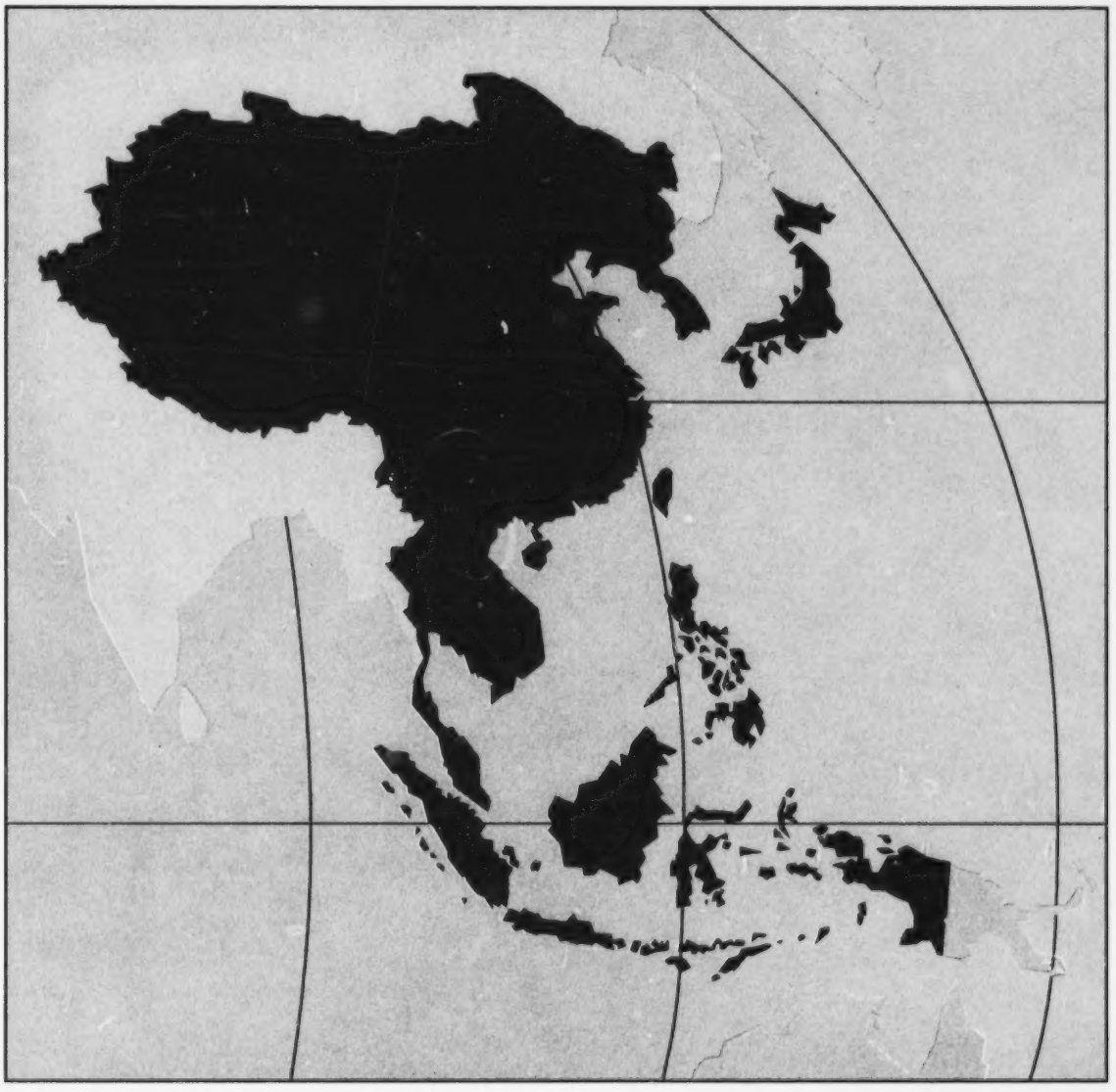
# PACIFIC RIM Economic Review



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***Features:*

**— Japanese Automakers Boosting Production in United States**
**— China's State Enterprises, Banks Lose Substantial Assets**
**— ROK Press Discusses Ramifications of Foreign Labor Imports**

**13 July 1994**
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The **PACIFIC RIM ECONOMIC REVIEW** is a subseries of the Survey Series. The **REVIEW** is published biweekly by East Asia Group and contains a selection of reports on economic topics appearing in foreign newspapers, magazines, and journals, as well as radio, television, press agencies, and data base sources, primarily from the countries of the Pacific Far East. Material is presented alphabetically by geographic area, and then arranged alphabetically by topic where possible. All articles in the **REVIEW** are summaries of original foreign media reports and are presented in two formats: "Feature" articles, which either summarize a lengthy report from a single source or summarize media reports on the same subject appearing in more than one foreign media source; and shorter summaries of news reports, usually from one source.

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## 13 July 1994

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# JAPAN

## *Auto Industry*

**FEATURE: Japanese Automakers Boosting Production in United States**

***According to media and industry reports, Japanese automobile manufacturers are moving quickly to increase production volume and variety in the United States. Auto demand is growing in the U.S. market, while the recent appreciation of the yen has made Japanese imports less competitive. Consequently, virtually all Japanese automakers are moving to increase output and are likely to produce over 2 million vehicles in the United States during 1994.***

According to the 24 June NIHON KEIZAI SHIMBUN (NIKKEI), the appreciation of the yen, coupled with expanding demand for automobiles in the United States, is forcing Japanese automakers to expand production at their U.S. factories. Several Japanese automakers are running their U.S. factories at "full throttle," which will lead some of them to reach maximum capacity for the first time since their construction in the 1980s. NIKKEI stated that some firms are considering expanding their facilities because they foresee a continued growth in demand over the next two to three years, and the "sudden" increase in the value of the yen has accelerated the need for expanding their U.S. factories.

**Toyota Motor Corp.** plans to raise production in the United States by about 13 percent to 620,000 vehicles, according to the 8 February NIKKAN KOGYO SHIMBUN. Toyota's joint venture production facility with General Motors in California, New United Motor Manufacturing (NUMMI), is already working at nearly full capacity and will produce 320,000 vehicles in 1994. In addition, Toyota Motor Manufacturing (TMM) in Kentucky finished constructing a new plant this past March and will produce about 300,000 vehicles in 1994--70,000 more than 1993. NUMMI produces the "Corolla" and "Hi-Lux" pick-up truck as well as the "Prizm" for General Motors. TMM produces the "Camry" and has just begun manufacturing the "Avalon." According to NIKKAN KOGYO, with TMM's new plant, Toyota now has the capacity to produce over 700,000 vehicles a year in the United States.

According to the 22 June ASAHI SHIMBUN, Toyota has decided to stop exporting Hi-Lux trucks to the United States and will instead manufacture all trucks for sale in the United States at NUMMI by the end of 1994. ASAHI stated that the high yen and high tariffs on imported trucks prompted Toyota's decision to transfer production to the United States. NUMMI will use existing facilities to meet increased production requirements, but there is some speculation that Toyota may also transfer production of the "T-100" pick-up truck, which is now exported from Japan, ASAHI reported. If so, Toyota may decide to expand NUMMI's production facilities.

The 29 June ASAHI SHIMBUN reported that Toyota has also decided to move production of its "Previa" minivan to the United States by 1997. Currently, all Previas sold in the United States are exported from Japan, but because Toyota expects the market to grow, it wants to build the minivans locally to avoid the costs of the high yen. According to ASAHI, Toyota will produce the minivan at TMM's new plant. Eventually, TMM will produce three vehicles--the Camry, the Avalon, and the Previa minivan, which is based on the Camry's chassis--for a combined output of 400,000 vehicles a year by 1997.

**Mitsubishi Motors Corp.** plans to boost production at its U.S. manufacturing base, Diamond Star Motors Corp. (DSM), to 180,000 units in 1994, a 31 percent increase over 1993, according to the 14 June NIKKAN KOGYO SHIMBUN. In addition to robust sales, the company is increasing output to supply new vehicles to Chrysler Corp. on an original equipment manufacturer (OEM) basis. The paper stated that Mitsubishi wants to transfer auto production to the United States to avoid price increases from the high yen. The firm may expand output to reach the plant's 220,000 unit maximum in the near future.

Since operations began in 1988, DSM has produced two types of vehicles, the "Eclipse" sports car and the "Mirage" passenger car, which were also sold by Chrysler under the "Laser/Talon" and "Summit" names. In 1993, DSM stopped production of the Mirage and began producing the new "Galant," which is selling well, the paper said. Furthermore, because the Eclipse is undergoing a "full model change" this year, Mitsubishi believes that sales will be strong, so it is preparing to boost output for itself and Chrysler.

**Isuzu Motor Co.** and **Fuji Heavy Industries** (FHI) are expanding production at "Subaru-Isuzu Automotive" (SIA), their joint venture auto plant in the United States, to meet rising local demand. According to the 3 June NIKKAN KOGYO SHIMBUN, Isuzu will increase output to 100,000 vehicles, a 30 percent increase over 1993, and FHI will boost production by 12.5 percent to 53,000 vehicles. Consequently, SIA will "pierce" the 150,000 unit level for the first time since operations began in 1990.

SIA produces two types of Isuzu autos, the "Rodeo" utility vehicle and the "TF" one-ton pick-up truck. Isuzu is boosting production to meet higher expected sales and to meet its obligation to supply Honda USA with Rodeo's on an OEM basis. In 1994 the company will produce 80,000 Rodeo's and 20,000 trucks. According to NIKKAN KOGYO, FHI's output of Subaru vehicles has fallen because it has been refitting production lines to produce a new "Legacy" passenger car this summer. FHI will be able to produce 6,000 vehicles a month, and the company expects to produce a total of 53,000 vehicles by yearend.

**Nissan Motor Co.** is expanding output by 10 percent to reach 450,000 vehicles in 1994 at its U.S. manufacturing base, Nissan Motor Manufacturing Co. (NMMC), the 24 June NIKKEI reported. According to the 29 April NIKKEI, NMMC, which is located in Tennessee, will enter into "full production" for the first time since it was established. The plant is boosting passenger car output by 6 percent to meet growing U.S. demand and truck production by 20 percent for shipment to Canada. Nissan has decided to stop exporting trucks to Canada from Japan and instead supply them from the United States. NMMC currently produces two passenger vehicles, the "Altima" and "Sentra," and one commercial vehicle, the "Nissan Truck."

**Honda Motor Co.** is moving to boost output by 25 percent in 1994, according to the 24 June NIKKEI. Honda plans to produce nearly 500,000 vehicles at its U.S. plant in Ohio, Honda Automobile Manufacturing. Given its capacity of 510,000, the plant will be nearing full-scale production. Consequently, Honda has begun looking for ways to expand production over the next several years. The 18 January NIKKEI reported that Honda will produce 364,000 "Accords" and 130,00 "Civics" in 1994.

**Mazda Motor Co.** plans to increase production by 10 percent to 240,000 vehicles for 1994 at its joint venture plant with Ford Motor, Auto Alliance International (AAI), the 24 June NIKKEI reported. The 8 June NIKKAN KOGYO SHIMBUN reported that AAI recorded solid profits in FY93 due to robust sales in the United States. AAI is boosting production because it expects even higher sales and profits in 1994.

**Japanese Auto Production in United States**
(1992 and 1993 figures from the March 1994 JIDOSHA TOKEI GEPPO)

| | 1992 | 1993 | Projected 1994 |
|---|---|---|---|
| **Toyota:** | | | |
| **NUMMI** | 256,247 | 321,428 | 320,000 |
| Cars | 180,960 | 207,025 | 205,000 |
| Trucks | 75,287 | 114,403 | 115,000 |
| **TMM** | 240,382 | 234,060 | 300,000 |
| **Total:** | **496,629** | **555,488** | **620,000** |
| **Nissan:** | | | |
| Cars | 171,402 | 293,182 | 330,000 |
| Trucks | 128,924 | 93,791 | 120,000 |
| **Total:** | **300,326** | **386,973** | **450,000** |
| **Isuzu-FHI:** | | | |
| Cars | 57,623 | 47,117 | 53,000 |
| Trucks | 66,868 | 79,441 | 100,000 |
| **Total:** | **124,491** | **126,558** | **153,000** |
| **Honda:** | **458,251** | **403,775** | **500,000** |
| **Mazda:** | **168, 859** | **219,096** | **220,000** |
| **Mitsubishi:** | **139,783** | **136,022** | **180,000** |
| **TOTAL:** | **1,688,339** | **1,827,912** | **2,123,000** |

## *Aviation Industry*

### Shimadzu To Join Forces With U.S. Aviation Equipment Company

Shimadzu Corp., a major comprehensive precision equipment manufacturer belonging to the Mitsubishi Group, has entered a business tie-up with Allied Signal Aerospace, the aviation and aerospace equipment division of the U.S. company, Allied Signal. Shimadzu will become Allied's primary partner in Japan for overseeing the manufacturing and marketing of Allied's aviation and aerospace equipment, including aircraft air conditioning systems, engine control devices, and auxiliary engine equipment. Under the cooperative tie-up, the two companies will aggressively pursue joint manufacturing efforts, research and development, and exchanges of market information in 30 different areas. The two companies, prompted by poor business performance in aviation and aerospace-related industries because of post-Cold War defense budget cuts and the slump in the airline industry, are seeking to complement each other under a joint business structure. (Tokyo NIKKEI SANGYO SHIMBUN 28 Jun 94 p 12)

## *Economic Trends*

### MITI Concerned About Impact of High Yen On Utility Rates

The Ministry of International Trade and Industry's (MITI) Agency of Natural Resources and Energy (ANRE) is "troubled" because the sudden rise of the yen has raised the possibility that utility rates, particularly electricity rates, will need to be lowered further to offset the profits

gained by the electric power companies as a result of the high yen. Provisional measures, which have been in effect since November 1993, have reduced electric rates by 1.8 percent, but they will expire in late September. This reduction currently saves an average family of four about 100 yen a month. MITI has been urging the electric companies to extend this provisional measure, and as a result, the companies are working to submit a request by mid-August to extend the measure at least through the end of the year.

MITI is taking a cautious, "wait-and-see" position regarding a further adjustment of utility rates because, according to a MITI official, "the exchange rate at 100 yen to a dollar is a temporary phenomenon, and cannot be used as a premise for setting utility rates." However, according to the Federation of Electric Power Companies, Japan's 10 electric power companies together would make an additional annual profit of 10 billion yen ($100 million) for each one yen rise against the dollar and an annual profit of 52 billion yen ($520 million) for each one dollar per barrel drop in the price of oil.

Although ANRE has stressed repeatedly that it wants to "yield to the independent judgment of the electric power industry" regarding the adjustment of utility rates, it seems that generally, MITI is caught between the electric power industry on one side and the other industries and consumers who are calling for reduced utility rates on the other side. (Tokyo NIHON KEIZAI SHIMBUN 4 Jul 94 p 3)

## *Foreign Trade and Investment*

### BURMA

**Japanese Firms Bid on Bridge Construction Projects**

A consortium of five Japanese companies, including Mitsubishi Heavy Industries and Nippon Steel, has submitted bids to build three bridges in Burma in response to an international bidding tender released by Burma's Construction Ministry. According to Japanese trading companies, this is the first full-fledged international bid the Burmese Government has undertaken since 1988.

The bridges will be financed by the government as top priority infrastructural projects. The winning bidder will be announced this summer, and actual construction will begin by yearend. In addition to the Japanese consortium, bids have been submitted by ten other companies, including firms from Britain, Italy, China, and Russia. If the Japanese firms win the bidding, "extensive commercial talks" will result concerning business in Burma.

The three bridges to be built will span the Irrawady, Than Lwin, and Chindwin Rivers. At present only one bridge, built during British colonial days, spans the Irrawady River, which is a major impediment to domestic commerce. The new bridge will be 1,270 meters long. The government will build the bridge substructure, while the foreign firm will build the superstructure. The bridge spanning the Than Lwin River will be 540 meters long, while the one spanning the Chindwin will be 1,200 meters in length. The winning foreign firm(s) will handle all construction concerning the Chindwin bridge. (Tokyo NIKKEI SANGYO SHIMBUN 21 Jun 94 p 9)

## CHINA

### Sumitomo Joint Venture To Make Concrete Rebar in Guangdong

The Sumitomo Group and the Salim Group, a major Indonesian conglomerate, have formed a joint venture holding company in Hong Kong to establish a concrete reinforcing bar (rebar) manufacturing and sales company in China. The investment ratios in the holding company will be Sumitomo Electric 44 percent, Sumitomo Corp. 22 percent, Salim 17 percent, and an unidentified Hong Kong company 17 percent.

The holding company, together with the Guangzhou Economic and Technology Development Zone Industrial Development Corporation, will establish the rebar manufacturing and sales company, Sumiden Steel Wire Products Co. Ltd., in Guangdong Province in July. Sumiden Steel will be capitalized at $6 million with the Hong Kong holding company contributing 90 percent and the Guangzhou Zone Development Corporation 10 percent. Beginning in the spring of 1995, Sumiden Steel will produce 1,400 tons of rebar monthly and anticipates sales of 300-400 million yen ($3-4 million) in its first fiscal year. (Tokyo NIKKEI SANGYO SHIMBUN 23 Jun 94 p 13)

### Nikkiso To Make Nonsealed Pumps in Shanghai

Nikkiso, Japan's largest manufacturer of precision pumps for the chemical industry, has established a joint venture company in Shanghai to manufacture small nonsealed pumps used in CFC-free absorption refrigerating machines. Nikkiso and China Petrochemical Shanghai Jinshan Co., a machinery manufacturer, formed the joint venture company Nikkiso Nonsealed Pump Co. Ltd. in January. The joint venture, in which Nikkiso holds a 55 percent interest, will renovate and occupy a factory in Shanghai belonging to China Petrochemical Shanghai Jinshan Company. Nikkiso Nonsealed Pump expects to sell 200 small nonsealed pumps in its first fiscal year and plans to expand sales to 1,000 annually in several years. These pumps will be sold in the Asian market, including China. (Tokyo NIKKEI SANGYO SHIMBUN 20 Jun 94 p 13)

## UZBEKISTAN

### Yamaichi Securities Plays Multiple Advisory Roles

Yamaichi International (Europe) Ltd., a wholly-owned subsidiary of Yamaichi Securities located in London, has been appointed "advisor" to "Uzbekistan Invest," the state-run accident insurance company in Uzbekistan, according to the 24 June NIKKEI KINYU SHIMBUN. The Uzbek Government recently established Uzbekistan Invest to sell insurance covering the "political risk" foreign companies face when they invest in Uzbekistan, such as losses arising from confiscated assets and inability to obtain foreign exchange. Yamaichi will locate potential Japanese business partners for Uzbekistan Invest.

The driving force behind the government's move to establish the state-run insurance company was the governor of Uzbekistan's National Bank for Foreign Economic Activity (the National Bank), Rustam Azimov, who is "enthusiastic" about Japanese corporate investment in Uzbekistan, NIKKEI KINYU reported. Azimov recently visited Japan where he earned the good-will of Japanese businessmen by assuring them 100-percent ownership of their businesses if they invest there, according to the 1 June NIHON KEIZAI SHIMBUN (NIKKEI).

This is not the only advisory role Yamaichi International has assumed in Uzbekistan, according to the 16 February NIKKEI. Yamaichi International is part of a consortium--Yamaichi International, a subsidiary of Mitsubishi Corp., and ING Bank--that advises Uzbekistan's National Bank on an economic reform program for which it received $60 million from the European Bank for Reconstruction and Development. The National Bank manages Uzbekistan's financing for domestic industrial development, according to the 14 May ASAHI SHIMBUN, and the program funds are slated to cultivate the growth of small-to-medium-sized and newly-established businesses in Uzbekistan, the 16 February NIKKEI reported. Yamaichi and the consortium provide broad-ranging advice to the bank on institutional reform and enhancing its lending and financial analysis functions.

Under yet another arrangement, according to the same source, Yusuke Matsuzaki, the former president of Yamaichi Bank (UK), also a wholly-owned subsidiary of Yamaichi Securities, has been serving as the "senior advisor" to the Uzbek National Bank. Matsuzaki advises the National Bank on lending analysis and locates potential business partners for small-to-medium-sized Uzbek businesses, according ASAHI.

## VIETNAM

### Nissho Iwai To Invest in Three Companies

Nissho Iwai, one of Japan's largest general trading companies, will invest about $40 million to establish three companies in Vietnam, according to the 28 June NIHON KEIZAI SHIMBUN (NIKKEI). Nissho Iwai will "directly invest" in a firm that processes wood chips for use in paper and pulp production. The paper did not specify whether the company will be a wholly owned subsidiary.

Sometime this year, Nissho Iwai will establish two joint venture companies, one that will produce 200,000 tons of chemical fertilizer annually and one that will refine 500 tons of sugar daily. The joint venture partner for the chemical fertilizer project is SFC, a chemical fertilizer company under the Ministry of Heavy Industry. Nissho Iwai will invest around $10 million to build a fertilizer plant in Dong Nai Province near Ho Chi Minh City. NIKKEI did not identify the Vietnamese partner in the sugar refining project, or how much Nissho Iwai plans to invest in the project.

Nissho Iwai has been a leader among Japan's major trading companies in pursuing business in Vietnam, NIKKEI observed, but the other trading firms "are fiercely trying to catch up."

### Mitsui, Singapore Line To Build Container Yard in Vietnam

Mitsui & Co., one of Japan's largest general trading companies, together with the Singapore company Neptune Orient Lines and the Vietnamese shipping company Viet Fract will form a joint venture company this summer to build and operate a container yard in the Tan Thuan Export Processing Zone (EPZ) in Ho Chi Minh City. The container yard will handle shipping for the Japanese, American, European, and Asian companies that are setting up operations in the EPZ. [For background information on the Tan Thuan EPZ, see the 23 February 1994 *Pacific Rim Economic Review* pp 40-42.]

Initial investment in the joint venture company will be $10 million, of which Mitsui will contribute 35 percent, Neptune Orient 25 percent, and Viet Fract the remaining 40 percent.

Overall, Mitsui plans to invest about $25 million in this project. A 7-hectare parcel of land in the EPZ has been secured for the yard, and a 175-meter wharf will be built on the Saigon River. The containers will be moved downriver to deeper water from the wharf on 20,000-ton vessels for loading on container ships. Charges for using the container yard will paid in foreign currencies.

Some 30 to 40 foreign companies are in the process of setting up operations in the Tan Thuan EPZ. One firm has already begun operations and two others are building factories. (Tokyo NIKKEI SANGYO SHIMBUN 30 Jun 94 p 20)

## *Machine Tools/Robotics*

### Amada Wasino To Import Steel Plate

Amada Wasino, a manufacturer of machine tools and industrial presses that belongs to the Amada Group, will begin importing steel plate from Taiwan and South Korea to lower manufacturing costs. These imports will cost Amada Wasino 20 percent less than the plate purchased from Nippon Steel, its current supplier. Amada Wasino has already verified the quality of the imported steel and will begin shipping sample machine tools this summer. It will increase the use of foreign steel depending on the reaction of its customers. This fiscal year it will switch entirely to foreign-made 12 millimeter steel plate and will import about one-tenth of its thicker steel plate. The annual import volume will be about 50 tons. Amada Wasino is also conducting quality tests on Brazilian-made steel plate.

The Amada Group is unifying its outside purchases to reduce costs, and other group companies--including Amada, Amada Sonoike, Wasino Koki, and Amada Metrex--also may begin using foreign steel plate. (Tokyo NIKKEI SANGYC SHIMBUN 17 Jun 94 p 10)

### Sodick, Enshu To Merge Regional Offices

Sodick, a machine tool manufacturer specializing in electrical discharge machines, and Enshu, a machining center manufacturer, will merge some of their regional offices to reduce overhead and will exchange information about their customers to expand sales. Enshu and Sodick have 17 and 11 regional offices, respectively, and the mergers will reduce the total for the two companies by between one-third and one-half. By the end of 1994 Enshu's Fukuoka business office will be merged into Sodick's office, Enshu's Sendai business office and Sodick's Sendai branch office will be consolidated, and Enshu's Takasaki business office, located in Gunma Prefecture, and Sodick's Ota business office will be consolidated. It has not been decided which company will lose its office in Miyagi and Gunma Prefectures. Sodick will also locate its new Hiroshima office within Enshu's Hiroshima office, which has surplus space. The two companies are also considering consolidation of their maintenance and business offices in Shizuoka and Okayama Prefectures which are "redundant."

After the consolidations each company will share common office management costs. The two companies specialize in different types of machine tools, but because they "see each other's customers as potential users" of their own machines, they will exchange customer information.

Sodick became Enshu's largest shareholder in 1988 when it bought 12.6 percent of Enshu's stock. Since then they have had close relations, including Enshu's OEM production of electrical

discharge machines for Sodick and mutually transferring employees on a temporary basis. (Tokyo NIKKEI SANGYO SHIMBUN 23 Jun 94 p 12)

## *Semiconductors/Computers/Electronics*

### Tohoku University Awards First FY94 Supercomputer Bid to Cray Research

On 1 July, Tohoku University's Institute of Fluid Sciences announced that the U.S. firm Cray Research had won the bid to provide the Institute with a new supercomputer with funds from the Japanese Government's FY94 budget. Japanese supercomputer manufacturers did not enter the bidding because they believed that Cray had the "advantage" as the Institute was already using a Cray vector-processing supercomputer. The Institute will procure a "high-end" model of Cray's "C90" series. The value of the order was not revealed, but the market price of such a machine is between 4 and 5 billion yen ($40 and $50 million).

Under the current fiscal budget, the government will procure nine supercomputers for eight different organizations; in addition to Tohoku University's Institute of Fluid Sciences, one each for the National Laboratory for High Energy Physics, Hokkaido University's Computer Center, Tokyo Institute of Technology's Computer Center, Kyoto University's Computer Center, the University of Tokyo's Institute for Solid State Physics, the Electric Power Development Corp., and two units for the Japan Atomic Energy Research Institute (JAERI). The bidding process is expected to last through August. Because government supercomputer procurement is a source of Japan-U.S. "friction," these bids will likely draw a great deal of attention. (Tokyo NIHON KEIZAI SHIMBUN 2 Jul 94 p 8)

### Hitachi Introduces Parallel-Processing Supercomputer

On 23 June, Hitachi introduced its first parallel-processing supercomputer, the "SR2001," which has a peak processing capability of 23 billion floating point operations per second (gigaflops). The base model carries eight processors and will sell for about 7 million yen ($70,000). Hitachi will begin shipments in March 1995 and hopes to sell 100 units over the next five years. Hitachi's development was prompted by demands for the faster and greater processing capabilities that come with parallel-processing supercomputers. Consequently, by late 1996 the firm plans to introduce a teraflop (trillion flops) massively parallel-processing supercomputer. [For previous reporting on Hitachi's parallel-processing programs, see the 4 May 1994 *Pacific Rim Economic Review*, p 13.]

The SR2001 can be configured with up to 128 reduced instruction set computing (RISC) microprocessors that Hitachi developed based on Hewlett-Packard's PA-RISC processors. Hitachi has configured the processors in a "three-dimensional cross-bar network" to increase parallel processing speed. The operating software is a UNIX base equipped with "HI-UX/MPP," which adds parallel processing capabilities. Furthermore, the SR2001 carries specially designed FORTAN and C-language compilers and a library of numerical processing software.

To develop applicable software, Hitachi plans to promote joint research with the computer's users and software manufacturers, as well as foreign and domestic universities and research organs at the company's parallel processing technology center, which was established last April. (Tokyo NIKKEI SANGYO SHIMBUN 22 June 94 p 6)

**Sanyo Ships Plant to Belarus, Begins Manufacturing in Poland**

Sanyo Electric Co., a major consumer electronics manufacturer, is aiming to gain a foothold in the former Soviet Union and Eastern Europe, according to the 8 June NIHON KEIZAI SHIMBUN (NIKKEI). Sanyo is also one of the world's leading manufacturers of compressors and recently joined with Toyo Engineering and Nissho Iwai in exporting an entire refrigerator compressor plant to Belarus. The plant was shipped to a local refrigerator manufacturer located in Minsk, "Atoranto Inc.," which will manufacture compressors for refrigerators sold in the former Soviet Union and Eastern Europe. Sanyo provided the manufacturing technology to build the factory housing the plant, while Toyo Engineering managed the factory's construction. The plant has a maximum annual production capacity of 1.5 million compressors and is valued at 18 billion yen ($180 million). This constitutes the largest electrical equipment plant ever exported to the former Soviet Union or Eastern Europe, NIKKEI reported. NIKKEI did not state what part Sanyo would play in future production of compressors, but observed that the recent deal was part of an attempt to build strong cooperative relationships with influential local companies to solidify its position in the region.

Earlier this year, Sanyo became the first Japanese company to begin manufacturing home electronics in Eastern Europe, according to the 15 April NIKKEI SANGYO SHIMBUN. Sanyo established a cooperative relationship with a home electronics retailer in Poland, "Sun Service," and provided Sun with design and manufacturing technology to build a television manufacturing subsidiary. The subsidiary will operate the plant which annually will produce 120,000 color television sets to be sold under the Sanyo name. NIKKEI SANGYO observed that Sanyo is expecting steady growth in the home electronics industry of Eastern Europe and that its manufacturing and sales base in Poland could serve as a test case for the rest of the Japanese home electronics industry in the region.

# CHINA

## *Domestic Developments*

**FEATURE: State Enterprises, Banks Lose Substantial Assets**

***Recent PRC and Hong Kong media reports indicate that China's state enterprises and banks have been losing a substantial amount of state assets through various loopholes in the legal and economic system. State enterprises have been exploited by collectives, individuals, and foreign firms, while state banks have been cheated by enterprises.***

According to an article in the 15 May issue of the Hong Kong monthly TANGTAI (CONTEMPORARY), China lost over 500 billion yuan in state assets from 1982-1992, or 80 billion yuan more than its total revenue of 418.8 billion yuan in 1992. In other words, the monthly said, the loss averaged 50 billion yuan per year, or 137 million yuan a day.

For example, an article in the 12 May issue of the Beijing daily GONGREN RIBAO indicated that losses occur when state-owned enterprises implement contract or leasing programs. Noting that almost 90 percent of state-owned enterprises have implemented such programs, the paper pointed out that many contractors "only share profits but not losses" and waste resources. If the endeavor makes profits, the contractor shares in the profits, but if there are losses, the losses belong exclusively to the state enterprise. One example given by the paper concerns a medium-sized state-owned enterprise in Chongqing, Sichuan which granted four former employees a 2-million-yuan contract to open a sales office in Shenzhen. The employees bought a 300,000-yuan car and 4 cellular phones for themselves to start the business. In two years they secured only 500,000-yuan worth of business and in the meantime, they used the enterprise's facilities, license, and other properties to establish their own base. They later resigned from the enterprise and started their own business, leaving the enterprise to bear the loss.

Other articles reported that many state enterprises incur losses in joint ventures with foreign investors, as Chinese firms appraise their assets below market value in order to attract foreign investors. According to an article in the 5 March issue of the Beijing monthly CAIZHENG YANJIU (THE FINANCE RESEARCH), in 1992, among the 8,500 state-owned enterprises which had formed joint ventures with foreign firms, some 5,000 of them had failed to updated their asset appraisals. the monthly estimated that because of this failure 30 billion yuan worth of state assets had vanished from the record. Losses also occur when foreign firms over assess their investments, according to the GONGREN RIBAO article. Some 85 percent of the foreign investors have been using raw material, machines and equipment as a form of investment. Foreign investors, the paper claimed, usually mark up the true value of their investments by 20 percent, while some foreign investors were found to have overvalued their assets several times higher then their true value. The article cited as an example one foreign investor of a joint venture in Sichuan who promised to import a $1-million high-tech piece of equipment as a condition of signing a cooperation contract, but actually provided an obsolete, late 1980's model worth only $400,000.

Another way state assets have been lost or wasted is that many state enterprises have established subsidiary companies or collective enterprises to create jobs for family members of staff or laid-off employees, according to an article in the 18 April issue of Beijing ZHONGGUO XINXI BAO. Many state enterprises have also provided free offices, equipment, raw materials,

and even startup funds for their subcompanies. The 5 March CAIZHENG YANJIU article stated that one-half percent of state assets have been used indefinitely without compensation by collective enterprises. It is estimated that 15 billion yuan worth of state assets have been lost in this fashion. Moreover, many collective enterprise have only paid a nominal fee for use of public land. At least 20 percent of the 50 billion-yuan in land sales have been lost each year.

Many specialized state banks also lose state assets, because of unlawful practices of enterprises, according to an article in the 16 April issue of Beijing JINRONG SHIBAO:

-- Many enterprises borrow money from several state banks simultaneously without disclosing to the banks their total debt commitment. For example, a fishing company borrowed 950,000 yuan from one bank, and 800,000 yuan from another bank and failed to repay both loans on time. Both banks found out afterward that this company not only owed money to both of them, but also to a local credit union.

-- Some enterprises take advantage of management reorganization to establish subcompanies. These "subs" inherit the assets but not the debts of the parent companies. Banks soon face the situation in which they can not recoup the money they have loaned, since the "parent" enterprise has no recoverable assets.

-- Some debt-ridden enterprises jump into "joint ventures" to avoid debt repayment. For example, a canned food factory borrowed 500,000 yuan for a technology transformation project. It then borrowed 400,000 yuan from another bank. Without the knowledge of either banks, the factory used the 900,000 yuan as an investment in a joint venture, changing the factory's name. When the new business failed, this enterprise brought in a foreign investor and changed its name again. The business is still losing money. In the meantime, the bank loans have been overdue for seven years.

-- Since bankruptcy law was put into effect several years ago, some enterprises operating in the red have been using bankruptcy as a way to write off debts.

**Sichuan Enterprise Experiments, Results Reported**

Since July 1993, some 22 enterprises in Sichuan Province have participated in experiments on establishing a modern enterprise system. Nineteen enterprises implemented the shareholding system. All 22 enterprises have adopted diversified operations such as joint ventures, contracting to individuals and collectives, and leasing. All the enterprises are implementing labor, personnel, and allocation system reforms, and 17 enterprises are implementing labor contracts. All the enterprises have broken down barriers between cadre and workers, are universally implementing the system of appointing cadres, and simplifying the admininistrative structure. The enterprises have eliminated 174 administrative organs, a 30 percent reduction, and have eliminated 1,270 managers, accounting for 23.46 percent of the original number of managers. By the end of April, 18 enterprises had eliminated 96 social service department and reduced the staff by 4,073, accounting for 6.5 percent of the total number of workers. (Chengdu SICHUAN RIBAO 19 May 94 p 1)

**Shanghai Suburbs Display Rapid Economic Growth Rate**

By the end of June this year, the total domestic output value of the Shanghai's suburbs was RMB 18.88 billion and the total industrial output was RMB 52.33 billion, increases of 21.1 and 31.7 percent respectively. The income of the counties has increased by 65 percent. In the first

five months, the suburban authorities approved 1,241 foreign-funded enterprises and the contracted investment value increased by $2.409 billion. (Beijing ZHONGGUO XINWEN SHE 1149 GMT 5 Jul 94)

**Hainan's Sanya Airport Opens, Can Handle Newest Jumbo Jets**

Hainan's Sanya Phoenix International Airport formally opened to traffic 1 July. A Boeing 747 jumbo jet arrived from Beijing earlier in the week, returning to Beijing yesterday morning. Significantly, the special economic zone can now accommodate wide-bodied jets. The airport is located 11 km to the west of Sanya, Hainan's second largest city. The runway is 3,400 meters long and 60 meters wide, sufficient to accommodate the latest generation of Boeing 747-400 superjets. Initially, an annual passenger flow capacity of 1.5 million is anticipated, increasing to 3.5 and 10 million on completion of the second and third stages of construction. Some 157 weekly flights are scheduled on 19 domestic routes, linking the province with all major Chinese cities except those in Xinjiang, Tibet, and Inner Mongolia. It is hoped to include Hong Kong and some foreign countries next year. Foreign carriers, particularly German, U.S., Japanese, South Korean, and Russian companies are negotiating landing rights. (Beijing CHINA DAILY 2 Jul 94 p 3)

## *Foreign Trade and Investment*

**PRC Daily Reports Reaction To New EU Quotas**

On 15 March of this year, the European Union imposed new quotas on seven categories of Chinese goods, and on textile goods not covered under the Multi-Fiber Arrangement. The 11 June edition of GUOJI SHANGBAO, a daily published by the PRC's Ministry of Foreign Trade and Economic Cooperation, reported that the 20.7 percent reduction compared to 1992 in quotas for Chinese-made toys (including stuffed toys, toys representing animals and non-human creatures, and diecast miniatures) has not only "elicited the concern" of Hong Kong businessmen with factories in China, but has also "worried" raw material suppliers of these factories. Chinese industry analysts have estimated that, based on a period of uncertainty on the part of traders regarding the new quotas, exports of toys to the EU will drop by 40 percent, from the original estimate of $1.81 billion to $1.09 million. Not only will producers and importers suffer, but EU consumers will also face a rise in toy prices following restrictions on Chinese imports, which account for 80 percent of the world market. [For more on Chinese toy industry reaction to the quotas, see FBIS-CHI-94-058: "Toy Manufacturers Complain About EU Quotas"]

As for footwear, the article noted that the 1994 EU quota of 9.6 million pairs (excluding certain types of footwear) constitutes a reduction of 11 percent from 1992. In addition, since the quota list for footwear was not issued until the beginning of April, and manufacturers were expected to apply before the 20th of that month, they were unable to clarify their own quotas until May. Thus, their production planning for the beginning of 1994 was affected, according to the article. The article states that this year's quota was "in actuality" only some 70 percent of quotas "in past years," and the value of Chinese portion of footwear exports to the EU should also be less. The article predicted further that to mitigate the impact of the EU restrictions, manufacturers will increase their production of product categories that fall outside of the quotas, such as high-tech athletic shoes and cloth shoes.

The EU's unified import quota for textiles not covered under the Multi-Fiber Arrangement, including 15 items, will have a "tremendous" impact on this industry in China. The EU's total import through Hong Kong traders of cotton clothing produced in China will be limited to only

6 million units. In the past, 10 million units would normally pass through Hong Kong to just England and another 5 million just to France. According to the article, Chinese exporters will also be at an "extreme disadvantage" in the export-import process, since EU textile quotas are in the hands of importers, who can then press for the lowest possible prices from exporters, engendering fierce competition among exporters as well as instability in production plans.

The article concludes that despite Hong Kong traders' appeals to pertinent agencies in China as well as EU departments in Hong Kong, and Chinese consultations with the EU since 19 May, the possibility of changing the new quota scheme "is not great." The article quotes EU Hong Kong Office Chief Reuter as saying that the EU considers five to seven years of monitoring and limiting of Chinese low-cost goods as a "transition period" in response to China's shift from a planned to a market economy and that the EU would not make any modifications to the new quota plan this year.

**New Registrations of Foreign-Funded Enterprises Drop 43 Percent**

Statistics released by authoritative departments show a 43.6 percent drop in the number of newly registered foreign-funded enterprises in the first quarter. The amount of contracted foreign capital decreased by 20 percent. Economic experts view the slowdown as a "normal phenomenon" because the Western economies are recovering and attracting international capital. They also cited the PRC economic macrocontrol measures which had curbed rampant fundraising and made investment in joint-ventures less attractive.

Circulating international capital is estimated at $200 billion per annum, 75 to 80 percent of which circulates within the developed countries. The rest circulates between the developed countries and the developing countries, mainly the Asia Pacific region, and China is able to attract one-fourth of this. Experts estimate China is capable of absorbing $15 to $20 billion annually. China has five advantages in attracting foreign capital in that it has the biggest market in the world, comparitively high quality cheap labor, diverse industrial categories and wide investment fields, rapid and continuous economic development, and it has stable and safe social order.

Some overseas investors have begun to inject money into infrastructure construction, technology-intensive industries, and basic industries. Of the newly registered foreign-funded enterprises in the first half of this year, 70 percent are industrial enterprises and the number of solely foreign-funded enterprises has increased by six percent. Experts predict that current investment trends will continue in the second half of the year. (Beijing ZHONGGUO XINWEN SHE 1236 GMT 5 Jul 94)

**Italian Telecommunications Firm Announces Investment Plans for China**

Italtel, a telecommunications powerhouse under the Italian IRI/STET Group has announced big plans for China. Vice president of Italtel's China business operations, Alberto Chirieleison, said the firm would directly invest and arrange financial support amounting to several hundred million dollars for its Chinese partners. He said Italtel will have at least one joint venture in China for each of its major product lines, including digital and mobile cellular telecommunications equipment.

Italtel set up a joint venture with Chongqing 515 Factory in southwest China in 1991 to produce optical line terminals which have been installed in a 1,200-km link in the Fuzhou-Guangzhou optical trunk line. Chirieleison said they would focus on creating more joint

ventures rather than only on sales. He said they were ready to develop customized products specially for the Chinese market in collaboration with local partners. He further said that Italtel will bring its state-of-the-art mobile cellular telecommunications systems to China. (Beijing CHINA DAILY [BUSINESS WEEKLY] 3-9 Jul 94 p 2)

**German Bank Announces Expansion Plans**

Germany's Dresdner Bank sees China playing a key role in the bank's international future and has applied to launch several more branches to supplement its Shanghai branch. Chairman of the board Jurg Sarrrazin said that Asia is a focus of their overall worldwide activities and that China is an obvious target for a bank wishing to expand its international operations. He said that China's potential is enormous owing to its human and natural resources. The bank hopes to launch branches in Shenzhen, Guangzhou, and Beijing. To date, no foreign bank branch has been allowed in the capital. (Beijing CHINA DAILY [BUSINESS WEEKLY] 3-9 Jul p 4)

**UK Pharmaceutical Firm Announces Joint Ventures**

David Barnes, chief executive of British pharmaceutical and agrochemical company Zeneca, revealed two investment projects in Beijing on 24 June. The first cooperative venture, the Zeneca Sino Pharmaceutical Development Consulting Company, will provide services in quality control, clinical practice, and technology transfers to China. Total investment volume was not disclosed. The second cooperation agreement is to build a $60-million plant to manufacture Paraquat, the active ingredient in weed killer. Barnes said the two projects are only the first step in Zeneca's plan to invest at least $100 million in China over the next five years. (Beijing CHINA DAILY 25 Jun 94 p 2)

**South Korea's Hyundai To Buy Brake Systems From PRC Joint Venture**

The Hyundai Motor Company of South Korea, the country's largest automaker, will buy brake systems manufactured by a joint venture involving a Chinese enterprise in Langfang, Hebei Province, and a sister company of Hyundai. The deal gets Hyundai's foot in the China door and meets the Chinese requirement that foreign automobile ventures encourage component manufacturing as opposed to assembly. Senior Chinese Government officials have repeatedly said that South Korea's experience in developing an automobile industry is worth studying and that greater South Korean involvement in China is desirable. (Beijing CHINA DAILY [BUSINESS WEEKLY] 26 Jun-2 Jul 94 p 1)

**Guangxi Floods Cause Great Losses For Foreign-Invested Firms**

Catastrophic flooding since mid-May has caused great losses for Guangxi's foreign-invested enterprises. According to incomplete statistics, Guangxi has suffered direct economic losses of 14.75 billion renminbi and foreign-invested enterprises have lost over 1 billion renminbi. Because the flooding occurred so swiftly and with such force, warehouse stocks in Guangxi's coastal areas could not be moved out quickly enough and great quantities of stock and raw materials were destroyed. It is estimated that in Wuzhou Municipality alone, foreign-invested enterprises have lost $30 million in imported tax-free commodities for production. (Beijing ZHONGGUO XINWEN SHE 1400 GMT 5 Jul 94)

**Hangzhou City Silk Exports Earn $100 Million in 1994**

More and more countries are being won over by the fine craftmanship and top quality of silk products from Hangzhou City, Zhejiang, the production base for China's traditional silk cloth

products, whose exports this year have topped $100 million. Since reform and opening up, and especially over the last few years, Hangzhou City has become more oriented to international markets and there have been great changes in the quality and grades of its silk products. For example, the industry is gearing more toward the production of intensive value-added finished products than extensive raw material processing. Garment exports now account for a larger proportion of the overall export mix and more intermediate-and high-grade products are being exported. Making use of production lines imported from overseas, the Kaidi Silk Company of Cizhou has been able to turn out products which sell in over 40 countries or regions and can compete with Italian brand-name goods. (Hong Kong ZHONGGUO TONGXUN SHE 0719 GMT 3 Jul 94)

**Shandong Investment Bank Introduces Foreign Capital**

Shandong Investment Bank recently introduced investments and technologies worth 18 million Deutsche marks. The bank has handled 173 loans and investments from the World Bank and the Asia Development Bank, totaling $180 million and has also introduced over 100 production lines of world advanced standards and helped over 140 enterprises transform with advanced technology and funds from abroad. (Jinan Shandong Radio 2300 GMT 4 Jul 94)

**Heilongjiang Harbin Border Trade Fair Signs $8 Billion in Contracts**

The fifth Harbin border and local economic and trade fair ended on 21 June. The trade contracts signed at the fair involved $8 billion, up 12.2 percent over the last trade fair. Of this, the import and export contracts involved $6.9 billion, up 11.3 percent over the last trade fair. This trade fair attracted over 5,000 businessmen from 44 countries and regions in the world and over 8,000 businessmen from 28 provinces, municipalities, and autonomous regions throughout China. Some 348 economic and technological cooperative contracts were signed, an increase of 18.3 percent over the previous trade fair. (Harbin HEILONGJIANG RIBAO 22 Jun 94 p 1)

**Harbin-Japan Technology Development Company Established**

Harbin Beilong Technology Development Company Limited, a Sino-Japanese joint venture run by the provincial expressway company and Hokkaido Development Consulting Company Limited of Japan, was formally established on 28 June. This is the first jointly funded company which the Japanese Civil Engineering sector has ever established in the northeast China region and the largest Sino- Japanese highway and bridge design company in northern China. The approved capital is 60 million yen, 40 percent of which comes from the Chinese side. This company will start off dealing with road, tunnel, and bridge design projects for Japan and gradually undertake international civil engineering design and domestic bridge and tunnel design business. (Harbin Heilongjiang Radio 1000 GMT 28 Jun 94)

**Ernst and Young: Most Hong Kong-PRC Deals Never Reported**

PRC state enterprises now own $12 billion of the capital of companies based in Hong Kong, according to a report by international accounting firm Ernst & Young. At a seminar on mergers and acquisitions in Hong Kong and China, Ernst and Young said that except for the bigger deals, most negotiations and eventual agreements among Hong Kong and Chinese companies were never reported. The report described the lack of disclosure found in Asian corporate culture as a case of Chinese investors being "publicity shy." Ernst & Young said that China needed local companies as a conduit for funding and technology, as well as a source of raw materials, while a partner at the firm, Matthew O'Driscoll, said that China's investment in Hong Kong was

expected to grow because of measures to cool the mainland economy. Among the most active of the state companies was Shougang, the Hong Kong arm of Beijing's Capital Iron and Steel, which through a tie-in with Cheung Kong (Holdings) has bought into several Hong Kong companies, including Tung Wing Steel, Santai Manufacturing, Kader Investments, Hoi Sing, and Eastern Century. The report noted that as the business relationships between the mainland and Hong Kong became closer, foreigners would face increasing difficulty in accessing China deals. As personal contacts were an indispensable part of the Chinese business culture, foreign investors were advised to "find and cultivate (the) right local contacts in the central government, local government and factory level". (Hong Kong HONGKONG STANDARD (FINANCIAL REVIEW) 7 Jul 94 p 3)

**Guangdong Clinches $8 Billion in Deals at Hong Kong Trade Fair**

Guangdong Province has clinched deals worth some $8 billion in foreign investment at the annual Guangdong High-Tech Projects and Trading Fair, which ended 2 July in Hong Kong. According to the Guangdong Commission of Foreign Economic Relations and Trade, half the money will go into projects to build 18 power plants, 340 km of freeways, 127 km of railroad, and six large ship berths. In accordance with the province's moves to cool the heated real estate sector, property deals accounted for only 8 percent of the total, in contrast with last year's 40 percent. Over 360 of the deals involve projects with investments exceeding $10 million. Of these, the investment in 14 projects is worth $100 million. The capital is from Hong Kong, the United States, Switzerland, and Australia. The Australian Intravend Company will invest $100 to build the Guangdong section of the Meizhou-Kanshi Railroad. (Beijing CHINA DAILY 6 Jul 94 p 2)

**Hong Kong Firms Investing $2 Billion in Beijing Development**

A number of major Hong Kong corporations, including those owned by Li Ka-shing and Tung Chien-hua, are to jointly invest $2 billion to build the "Oriental Square" in Beijing. The project will start this year, and the site is located in the eastern area of the downtown district. Its total floor space will be 850,000 square meters. (Hong Kong ZHONGGUO TONGXUN SHE 1055 GMT 30 Jun 94)

**Hong Kong Capital To Fund Expressway in Guangdong**

Hong Kong's Kwok Tai International Group and Guangdong's Zhaoqing City have signed contracts to build an expressway between Guangzhou and Zhaoqing and a waterworks in Sangrong. The two projects will require a total investment of $208 million, and Kwok Tai will provide 60 percent of the investment. Zhaoqing City's Deputy Mayor Huang Xijun said that his city had used $600 million of foreign funds in 1993, twice as much as in 1992. (Hong Kong TA KUNG PAO 1 Jul 94 p 17)

**Hong Kong's New World Group Increasing Investment in Wuhan**

After taking the lead in investing in Wuhan, Hong Kong's New World Group and Wuhan City have signed more agreements on cooperative projects, with New World to inject 1 billion yuan of equity in joint ventures such as the Wuhan Airport Development Company Ltd., the Wuhan Bridge Company Ltd., and the Songjiagang Industrial Park in Huangbo County, which will occupy an area of four square km in its first phase. The park will house industrial and high-tech projects. The two sides also reached a consensus on the creation of a base to build power generation facilities in Wuhan centered around state-owned enterprises such as the Wuhan

Boiler Making Plant and the Wuhan Heavy-Duty Machine Tools Plant. (Beijing XINHUA Hong Kong Service 0840 GMT 5 Jul 94)

**Guangxi, Yunnan, Guizhou in Oil Refinery Deal With Hong Kong Firm**

Guangxi, Yunnan, Guizhou, and the Hong Kong-based Chiao Fu Enterprise are jointly investing $1 billion to build an oil refinery in Guangxi's Beihai. Chiao Fu's investment accounts for 70 percent of the total. (Hong Kong LIEN HO PAO 29 Jun 94 p 21)

**Hong Kong Container Company Invests in Shanghai Inland Wharf**

Oriental Overseas Container has announced that it is investing $5.7 million in the construction of an inland wharf in Shanghai. The project, covering an area of 60,000 square meters, will proceed in cooperation with the Shanghai Port International Container Freight Company. The wharf will be operational by early 1995 and will be capable of handling 4,000 standard container units each day. (Hong Kong WEN WEI PO 6 Jul 94 p C1)

**Liaoning City Establishes Joint-Venture Company With Hong Kong**

Benxi city in Liaoning Province established its largest joint-venture enterprise, the Beilong Iron and Steel (Group) Company Limited, with the Yinglong International Industrial Company of Hong Kong on 15 June. The Chinese side represented by the Beitai Iron and Steel General Plant in Benxi city will use its original fixed assets as investment which will account for 40 percent of the total investment, and the Hong Kong side will provide 60 percent of the investment for technical transformation and production. The total fixed assets of this joint venture is valued at about 3 million yuan Renminbi. (Shenyang LIAONING RIBAO 21 Jun 94 p 1)

## Taiwan

**Economics Minister: Economic Growth Depends on Power Supply**

Minister of Economic Affairs Chiang Ping-kun said recently that in order to maintain a 6 percent economic growth annually, Taiwan's power supply must be doubled in the next 12 years. According to a report by Taipower, in recent years, the development of electric power has failed to meet demand in Taiwan. In the past five years, Taiwan's power generating capacity increased by 3.1 percent annually, far below the 6 percent annual increase in power demand. (Taipei CHING-CHI JIH-PAO 24 Jun 94 p 3)

**National Research Institute: Economy To Pick Up in 2d Half of 1994**

The Taiwan Institute of Economic Research 21 June predicted that 13 industries in Taiwan, including home appliances, textiles, information, plastic products manufacturing, and machinery, will begin to pick up in the second half of 1994. The information industry is expected to grow about 10 to 15 percent in the second half of 1994; the synthetic fiber industry, 10 percent; the textile industry, more than 10 percent; and the plastic and home appliance industries will only grow slightly. (Taipei CHING-CHI JIH-PAO 22 Jun 94 p 9)

**Legislative Yuan Approves Budget for Fourth Nuclear Plant**

The Legislative Yuan's Budget, Economic, and National Defense Joint Conference 23 June approved a $4.197 billion budget for Taipower's fourth nuclear power plant. The budget was pushed through in the presence of only 26 Kuomintang legislators after opposition legislators boycotted the meeting on grounds that the listing of the fourth nuclear plant for discussion was illegal. (Taipei CHING-CHI JIH-PAO 24 Jun 94 p 3)

**Bank Governor Cites Foreign Fund Requirements**

Speaking at an economic conference on 20 June on whether Taiwan should lift its ban on the entry of foreign funds to Taiwan, Liang Shu-kuo, governor of Taiwan's central bank, said lifting the ban must be accompanied by the following requirements: 1) the government must reduce its financial deficit in order to establish its debt credibility; 2) the interest rate disparity between domestic and international financial markets must be reduced; 3) financial market efficiency must be raised; 4) the bond market transaction tax, currently very high, must be reduced or even eliminated; and 5) rules restricting market price readjustments must be eliminated. Addressing the issue of making Taiwan an international financial center, the governor suggested that Taiwan should first establish a regional financial center and expand it step by step. (Taipei CHING-CHI JIH-PAO 21 Jun 94 p 2)

**MAC Urges Slowing Indirect Investment in PRC**

Taiwan's Mainland Affairs Council (MAC) has urged the Ministries of Finance and Economic Affairs to slow approval of indirect investment projects in the PRC over the next two years. The Ministry of Economic Affairs has planned to open 600 industrial areas for indirect investment in the PRC. An official of the MAC said permitting investment in so many areas all at once will have an adverse impact on Taiwan's economy. Taiwan will become more dependent on the PRC. (Taipei CHING-CHI JIH-PAO 22 Jun 94 p 2)

**Establishment of Free Trade Zone With Philippines Feasible**

Hsiao Wan-chang, chairman of the Council for Economic Planning and Development (CEPD), said an interim study indicates that establishment of a ROC-Philippine free trade zone is highly feasible. Phillipine political circles responded favorably when President Li Teng-hui made the proposal during his visit to that country at the beginning of this year. An economic research institute in Taiwan said the establishment of such a zone would boost trade between the two countries and attract investments. (Taipei CHING-CHI JIH-PAO 20 Jun 94 p 1)

**Tariffs on Farm Produce May Be Reduced 13-17 Percent for GATT**

Sun Ming-hsien, chairman of the Council of Agriculture, 22 June revealed that Taiwan is ready to reduce tariffs on farm produce by 13-17 percent over the next six years in order to meet GATT requirements. He said the council has decided to completely lift the import ban on apples and other types of fruits. On rice imports, he said Taiwan will strive for an adjustment period of between 6 and 10 years before lifting the ban completely. If this is not possible, he said, Taiwan will follow the model adopted by Japan. (Taipei CHING-CHI JIH-PAO 23 Jun 94 p 2)

## BOFT Estimates Impact of GATT on Foreign Trade

According to Huang Yen-chao, director general of the Republic of China's Board of Foreign Trade, after Taiwan has joined GATT, its foreign trade volume will reach $414.5 billion by the year 2002, or 1.7 percent higher than if it had not joined GATT. Imports will increase from $72 billion in 1992 to $202.3 billion in 2002, some 65.9 percent higher than if it had not joined GATT; exports will surge from $81.5 billion to $212.2 billion, some 36 percent higher than if it had not joined GATT. The director general predicted that by the year 2000, the United States, Japan, Hong Kong, and Germany will remain Taiwan's major trading partners, adding that Taiwan's foreign trade will have to depend on high-tech and value-added products because its labor-intensive products have lost competitiveness on the international market. (Taipei CHING-CHI JIH-PAO 21 Jun 94 p 2)

## Trade Deficit With Japan Increases

According to the Board of Foreign Trade under the Ministry of Economic Affairs, Taiwan's exports of iron and steel products and auto parts to Japan in 1993 increased significantly over the previous year due to the appreciation of the Japanese yen. However, meat, toys, and other labor-intensive products are losing ground to the PRC. Taiwan's trade deficit with Japan in the January-May period amounted to $6.05 billion, up 6.5 percent from the same period last year. (Taipei CHING-CHI JIH-PAO 28 Jun 94 p 2)

# SOUTH KOREA

**FEATURE: Ramifications of Foreign Labor Imports Discussed**

***With the arrival in South Korea of the first of an expected 20,000 foreign "trainees," the ROK press has begun looking at the issue of foreign labor imports. The 8 June CHUGAN MAEGYONG published several articles discussing the current status of illegal foreign workers in South Korea, the ROK labor shortage, and the potential costs of importing "cheap" foreign labor. Other sources also addressed the labor import issue, calling for more effective management of foreign laborers or for changing the import system.***

According to an editorial in the 2 June HANGUK KYONGJE SINMUN, the Korean Federation of Small and Medium Businesses is managing the import of 20,000 foreign laborers this year. By the end of June, 10,000 men and women from 11 countries will have come to South Korea to work for one or two years. The 8 June CHUGAN MAEGYONG noted that the federation had received applications from small and medium manufacturing enterprises in January and had designated 4,221 firms as "training" businesses that are permitted to import foreign laborers identified as "industrial technology trainees." To date, the federation has helped set up cooperative relationships between 11 countries and 23 ROK businesses in order to facilitate labor imports. In addition, it will give foreign workers coming to South Korea one week's training in preparation for their stay. CHUGAN MAEGYONG reported that the 20,000 industrial technology trainees coming this year will include 8,000 Chinese; 3,000 Filipinos; 2,400 Vietnamese; 1,600 Bangladeshis; 1,000 workers each from Burma and Sri Lanka; 800 workers each from Pakistan, Indonesia, and Nepal; and 300 workers each from Iran and Thailand.

This is not the first time the government has allowed foreign workers into South Korea, according to HANGUK KYONGJE SINMUN. In 1992, it allowed the "emergency import" of 7,400 foreign workers to handle "3-D" (dirty, difficult, and dangerous) jobs. CHUGAN MAEGYONG noted that foreign laborers have only appeared in the ROK labor market in the past five or six years. According to Ministry of Justice figures, although there were only several thousand such workers in 1990, the total jumped to 41,000 in 1991 and 72,000 in 1992, then declined to 61,000 in 1993 and 52,000 by the end of April. The Ministry of Labor estimates that the 52,000 illegally employed foreigners include 2,000 Chinese citizens (mainly ethnic Koreans from Yanbian, Jilin Province), 8,000 Filipinos, 6,000 Bangladeshis, 3,000 Nepalese, 2,000 Pakistanis, and 11,000 workers from other countries.

CHUGAN MAEGYONG asserted that the actual number of foreign laborers in South Korea is estimated to be much larger than the figure cited by the Ministry of Justice. Agencies handling the foreign labor issue estimate there are at least 80,000 and possibly as many as 130,000 foreign workers in the country, with experts generally settling on the figure of 100,000. According to Ministry of Labor statistics, foreign laborers account for 5.2 percent of the 1.7 million production workers in ROK industries. Under the current Immigration Control Law, employment of foreigners is limited to expert technical laborers, of which there are currently 4,100; although they are also here legally, industrial technology trainees (who totaled 9,162 as of April) are not recognized as employed laborers.

CHUGAN MAEGYONG noted that the problem of illegal foreign workers is related to the government's change in attitude in 1991 and to the Ministry of Trade, Industry, and Energy's (MOTIE) moves to facilitate labor imports. In 1991, when it prepared guidelines for using foreign laborers as "trainees" in "3-D" industries, MOTIE concerned itself only with designating enterprises as training businesses. It did not pay much attention to the issues of training or supplying foreign labor to the domestic market. Thus, training businesses entrusted the matter to ROK employment agencies, which were also willing to find foreign workers for labor-starved non-training businesses that were not officially allowed to import laborers. Most of the influx of illegal foreign workers came at that time.

According to statistics from the Ministry of Labor, South Korea has had a shortage of production labor for several years. CHUGAN MAEGYONG reported that the shortage was 4.9 percent (120,000 workers) in 1989, 6.9 percent (166,000 workers) in 1990, 9.1 percent (222,000 workers) in 1991, 6.8 percent (157,000 workers) in 1992, and 5.7 percent (99,000 workers in 1993). The labor shortage rate at enterprises with fewer than 300 employees--which is where most foreign laborers work--is currently 7.8 percent.

While many people view foreign workers as a cheap source of labor, the ROK press points out that other costs are incurred when foreigners work illegally in South Korea. CHUGAN MAEGYONG brought up the issue of human rights being "violated," noting that ROK businesses often "delay" paying wages to foreign laborers. In addition, the laborers have no access to health care or casualty insurance. HANGUK KYONGJE SINMUN stated that, being engaged in foreign labor imports, South Korea is thus obligated to protect the rights and interests of those laborers. The paper urged the government to prohibit discriminatory practices against foreign laborers and ensure that they are protected in all areas, including health and industrial hazards. CHUGAN MAEGYONG noted last year's Supreme Court ruling, decreeing that worker's compensation insurance must be extended to illegally employed foreigners. In addition, following the government's announcement that technical trainees "should receive" casualty insurance, the labor and justice ministries are cooperating to develop a new casualty insurance policy for trainees and the labor ministry has strengthened its regulations concerning workers' compensation and the late payment of wages.

From the ROK point of view, importing foreign labor is costly because there is a danger that it could become a burden on, rather than an opportunity for, South Korean society and business, HANGUK KYONGJE SINMUN opined. Business must manage foreign workers thoroughly, so that they do not flee their places of employment or "commit illegal acts," and that management responsibility also lies with the Korean Federation of Small and Medium Businesses, according to the paper. It also advised agencies and businesses to bear in mind that the successful management of the foreign workers now arriving will show that the system can be justifiably carried out and improve the prospect that the labor import figure will be raised to 50,000 or 100,000, as some businesses hope.

According to HANGUK KYONGJE SINMUN, the import of foreign workers this year has both symbolic and real meaning. First, in setting up its "industrial technology training" system, the government has established a legalized system for importing foreign labor. Second, it means that the structure of the ROK labor market has actually undergone an important change: it has become "multinationalized." This multinationalization has given rise to dual occupational and wage structures that differentiate between Koreans and foreigners. Although there are high expectations for the industrial technology training system, experts say the government would be better off establishing a legal apparatus to deal with labor imports rather than using a legalized "training system," reported CHUGAN MAEGYONG. MOTIE Assistant Minister Pak Un-so,

quoted in the 11 June HANGUK KYONGJE SINMUN, agreed that a different mechanism is needed. Pak stated that it would be desirable to shift to a licensing system that uses formal contracts. He also called for concerned departments to "cooperate" in increasing foreign labor imports.

Experts candidly state that the "ambivalent" attitude of offices concerned--the justice and labor ministries, MOTIE, and the Economic Planning Board--is making the foreign labor issue even more difficult, according to CHUGAN MAEGYONG. For instance, although it is supposed to expel illegal residents unconditionally, the justice ministry's Immigration Control Office actually handles things on a case-by-case basis. Its ambivalent attitude shows that it is unprepared legally or systemically to handle the issue, the journal observed. It added that the "selfishness" of these offices, which cannot unify their foreign labor policies, prolongs the "ambivalence" even longer. In order to completely resolve the issue, experts say, the government must begin with a systematic revision.

CHUGAN MAEGYONG pointed out that, aside from economic issues, there is also the question of the long-term social integration of foreign workers into ROK society, which has always been ethnically homogeneous. Some experts believe that, while using low-cost foreign labor is beneficial in the short run, if one considers the social costs that South Korea must bear, imported foreign labor is not all that "cheap."

**Hyundai Precision To Develop 60-Passenger Maglev Car**

Hyundai Precision and Industry Company and the Korea Institute of Machinery and Metals (KIMM) will jointly invest 6 billion won ($7.5 million) to develop a magnetically levitated (maglev) train for mass transit use by the year 2000. Hyundai will be responsible for developing the maglev car and KIMM will be responsible for developing the track and the system. Hyundai will complete production of two 60-passenger maglev cars by 1996 and put them through a trial run by 1998. The cars will be improved versions of Hyundai's 40-passenger maglev car, which logged more than 1,000 trips over a 540-meter track at last year's Taejon Expo. KIMM will complete the system standardization by 1998. In addition, it expects to complete work by next June on the 1-km circular maglev test track it began building in Taejon in April. KIMM will invest 6.8 billion won ($8.5 million) in the track. With regard to using maglev trains for mass transit, Hyundai and KIMM are considering laying tracks between Seoul and the new Yongjong Island airport (length, 62 km); tracks for light electric rail in Pusan; a loop track in Cheju (length, 180 km); and tracks for shuttle service within the new airport (length, 2 km). (Seoul MAEIL KYONGJE SINMUN 9 Jun 94 p 11)

**Gold Bars Rank First Among DPRK Items Imported by ROK**

Gold bars rank first among 50 items imported from North Korea this year, followed by zinc bars, which ranked first in 1993. A total of 1,800 kilograms of North Korean gold bars, worth $22.494 million, were imported in the first five months of the year. During the same period, 14,329 tons of North Korean zinc bars, worth $13.458 million, and $4.874 million worth of walnuts were imported. (Seoul HANGYORE SINMUN 3 Jul 94 p 7)

**Chonggundang To Produce, Export Pharmaceutical Ingredients**

Chonggundang will establish a $30-million biochemical company in India with Switzerland's Ciba-Geigy and India's Hindustan Ciba-Geigy Company. The company will be capitalized at $15 million, with Chonggundang contributing 25 percent, Ciba-Geigy 5 percent, Hindustan Ciba-

Geigy 21 percent, and the remaining 49 percent collected by placing the stocks on the Indian market. The joint venture will build a plant near Bombay to produce pharmaceutical ingredients that prevent tuberculosis and will sell its products in India and Southeast Asia. Chonggundang will be in charge of the overall technology and Ciba-Geigy will be in charge of international marketing. (Seoul MAEIL KYONGJE SINMUN 5 Jul 94 p 13)

Chonggundang Pharmaceutical Company has concluded a contract with Lederle Laboratories of the United States to export ingredients for antibiotics. Under the contract, Chonggundang will export $10 million worth of DMCT (dimethylchlorotetracycline) each year for 10 years. This is the largest-ever sale by an ROK pharmaceutical company to the United States. (Seoul MAEIL KYONGJE SINMUN 28 Jun 94 p 1)

**Korea Heavy Industries Active in Guam, India**

Korea Heavy Industries Company has concluded a contract with the Guam Office of Electric Power to build a turnkey 40-megawatt diesel internal combustion power plant. The contract for the No. 4 plant is worth $54 million. Last year the company won a similar turnkey order for Guam's No. 3 diesel internal combustion power plant, worth $56 million. (Seoul MAEIL KYONGJE SINMUN 2 Jul 94 p 7)

India has awarded a contract to Korea Heavy Industries Company to export $14.5 million worth of port equipment. The equipment, which includes one port crane and four yard cranes, will be installed at a port near Bombay by June 1995. (Seoul MAEIL KYONGJE SINMUN 3 Jul 94 p 6)

**Hyundai Wins Construction Orders From Malaysia, Thailand**

Hyundai Corporation has received a $58-million order from Malaysia to build a diesel power plant in cooperation with Hyundai Heavy Industries. The plant, to be located in Melalap, Sabah, will provide electricity to consumers throughout the state after its completion by the end of 1995. Hyundai Corporation is expected to accelerate its advance in the Malaysian and other Southeast Asian markets. (Seoul MAEIL KYONGJE SINMUN 6 Jul 94 p 10)

A consortium formed by Hyundai Construction & Engineering and Japan's Mitsubishi has concluded a contract to build a $247-million fertilizer plant in Thailand. The state-run plant will be built in the coastal industrial estate near Rayong, 200 km southeast of Bangkok. It will be able to produce 200,000 tons of phosphate fertilizer and 100,000 tons of compound fertilizer annually, and will be equipped with piers that can handle imports and exports. (Seoul MAEIL KYONGJE SINMUN 1 Jul 94 p 11)

**Dalian Jindo Container Company Opens in China**

A joint-venture container manufacturing company set up by Chinese, Hong Kong, and ROK firms has officially opened in China. The $18-million Dalian Jindo Container Company, the largest of its kind in northeastern China, is a joint venture between China's EAS International Transportation with 30 percent of the shares, Hong Kong's Yau Wing with 22 percent, and South Korea's Jindo Corporation with 48 percent. The new container firm has paid-in capital of $9 million. It will have an annual production capacity of 20,000 20-foot-equivalent units, and will focus on the U.S., European, and Asian markets. (Seoul MAEIL KYONGJE SINMUN 30 Jun 94 p 9)

**Halla Group To Build Cement Plants in Dalian, Liaoyang, China**

Halla Group and China's Dalian Cement Company have concluded a joint- venture contract to set up the Dalian-Halla ready-mixed concrete plant in Dalian City, Liaoning Province, with paid-in capital of $2.76 million. Halla and Dalian Cement Company will have stakes of 70 and 30 percent respectively, and Halla will supply all the furnishings for the plant. Construction, which will cost $5.52 million, will begin this summer. The plant is expected to begin operations early next year. (Seoul MAEIL KYONGJE SINMUN 30 Jun 94 p 9)

Halla Group and Liaoyang City, Liaoning Province have agreed to jointly establish a cement company in Liaoyang City. The plant will be constructed under a turnkey agreement, with Halla providing 60 percent and Liaoyang City 40 percent of the $260-million investment. The plant will be able to produce 1.8 million tons of cement annually. (Seoul MAEIL KYONGJE SINMUN 5 Jul p 10)

**Seil To Produce Small Aircraft With China**

Seil Heavy Industries Company will take part in producing small (four- or five-passenger) aircraft with the Nanchang Aircraft Manufacturing Company, which is under the Aviation Industries of China. The aircraft, dubbed Goodwill, will have a speed of 300 kmh and a range of 1,300 km. They will be used in crop-dusting activities and in training. Seil will begin building an assembly plant early next year, with production starting up in the latter half of 1997. (Seoul MAEIL KYONGJE SINMUN 30 Jun 94 p 10)

**Sunkyong Exports ABS Resin Plants to China**

Sunkyong Corporation recently agreed to export a $100-million acrylonitrile-butadiene-styrene (ABS) resin plant to Liaoning Province, China. Sunkyong signed a memorandum of intent with Liaoning's Office of Chemical Industries to build an ABS plant in Panjin, Liaoning, and expand the existing ethylene plant. The plant's resin will be used in home appliances, car parts, stationery, and helmets. (Seoul MAEIL KYONGJE SINMUN 26 Jun 94 p 6)

**Tuha To Build Joint Venture Plant With North Korea in China**

Tuha Industry Company, a producer and exporter of socks, plans to build a joint venture plant in Beijing, China, with the Yunsong Industry Company, a North Korean textile company. Tuha will conclude a formal contract with Yunsong in Beijing around 10 July. Tuha will invest $1 million worth of production equipment, while Yunsong will make a similar investment by providing land and a building it has in China. Tuha will finish the plant this year and begin production early next year, marketing its products in China, North Korea, and other nearby countries. (Seoul HANGUK ILBO 1 Jul 94 p 2)

# SOUTHEAST ASIA

## INDONESIA

### Status of Investments on Batam Island Reported

To date, Batamindo Industrial Park, operated by Singapore-based Batamindo Industrial Marketing and Jakarta-based Batamindo Investment Corporation, has 60 foreign investment projects, including nine that were recently approved by the Investment Coordinating Board. The new projects are expected to be operational at the end of the year. Investors in the first 51 projects come from Japan, Singapore, Europe, the United States, Hong Kong, Korea, Malaysia, and Indonesia. These projects are worth $200 million and currently employ 25,000 workers. The deputy general manager of Batamindo Investment Corporation predicts that by mid-1996 the industrial park will have 100 investment projects, worth $350 million. In addition, he expects the annual export value to increase from $600 million currently to $1 billion in 1996. (Jakarta KOMPAS 9 Jun 94 p 3)

### New Deregulation on Foreign Investment Hailed

The German business community has hailed Indonesia's latest deregulation on foreign investment. Andreas Gosche, area manager of the German Business Organization for Asia and the Pacific (OAV) recently stated that the new deregulation will enable German mid-size businesses to invest in Indonesia. He claimed that many more foreign businesses will be attracted to doing business in Indonesia because unlike Vietnam and China, Indonesia has adequate infrastructures and political stability. He also cited studies indicating that Indonesia will be able to maintain a 6.5-percent growth rate this year and have an estimated annual per capita income of $822, which should increase to $898 next year. (Jakarta KOMPAS 10 Jun 94 p 6)

### Australian Companies To Build Electrical Infrastructure

GEC Alsthom Australia Ltd. and ABB EPT Pty. Ltd. have been awarded a $97-million contract to build an electrical infrastructure in Indonesia. GEC Alsthom will build five substations and enlarge 10 other substations, while ABB EPT will construct electrical emissions. (Jakarta ANTARA 1416 GMT 22 Jun 94)

### Arun Natural Gas Supply To Run Dry by 2014

Indra Kartasasmita, vice president of P.T. Arun Natural Gas Liquefaction, recently stated that the plant may cease production in 2014, unless new gas fields are discovered and developed. Even prior to 2014, the plant may have to shut down two of its six production trains due to a decrease in gas supplies. Nonetheless, P.T. Arun's natural gas production has increased from 24.1 million cubic meters in 1989, to 26.7 million cubic meters in 1992 and 27.3 million cubic meters in 1993, and is expected to reach 27.7 million this year. Its condensate output, however, declined from 127,700 barrels a day in 1989 to 105,400 barrels in 1993, and is estimated to decline further to 84,200 barrels this year. Arun's liquefied petroleum gas production is also projected to decline from 1.6 million tons in 1993 to 1.49 million tons this year. (Jakarta THE JAKARTA POST 15 Jun 94 p 3)

## MALAYSIA

### 'Large' Increase in Taiwanese Investments Noted

A Malaysian official in Taiwan recently stated that Taiwanese investment in Malaysia has registered a "large" increase in the last six years and has reached $6 billion. He expects the increase to continue because of Taiwan's "Look South" policy. There are currently 1,300 Taiwanese projects in Malaysia. (Kuala Lumpur BERITA HARIAN 31 May 94 p 9)

## PHILIPPINES

### Increase in Remittances From Overseas Workers Reported

The Central Bank recently reported that Filipino overseas workers remitted $590.94 million in the first quarter of the year, up 11.25 percent over the same period last year. Aggregate foreign exchange remittances could be much higher since figures released by the Central Bank only reflect remittances through commercial banks. (Manila BUSINESS WORLD 23 Jun 94 p 12)

### Two Geothermal Power Plants To Be Established

Two new geothermal power plants will be established under a build-operate-transfer program. One will be a 120-mw plant at Mt. Apo in Kidapawan, North Cotabato, and the other a 75.3-mw plant in Tongonan, Leyte. The estimated cost for the two plants is $335 million. (Quezon City PTV-4 Television Network 0500 GMT 24 Jun 94)

### Japanese Firms To Install Submarine Cable

Nissho Iwai Corp., Kanematsu Corp., and Hitachi Corp. of Japan are scheduled to install a 23-km submarine cable to bring electricity from the 440-mw geothermal power project in Tongonan, Leyte to Luzon. The $72-million project is part of the 442-km Leyte-Luzon power transmission project. (Manila PHILIPPINE DAILY INQUIRER 1 Jul 94 p 19)

## THAILAND

### Deputy PM Counters U.S. Views on Trade, Cooperation Issues

According to the 31 May DAILY NEWS, Deputy Prime Minister Suphachai Phanitchaphak recently said that the United States and Europe should refrain from raising issues not germane to trade issues during negotiations, "especially human rights matters." He criticized in particular the U.S. policy of witholding Generalized System of Preferences (GSP) rights for developing countries whose treatment of workers do not meet U.S. standards and pointed out that U.S. and European labor standards are "higher than those adhered to" in the international community. He claimed that in upcoming meetings, "labor ministers throughout the world intend to respond to the United States and seek clarification" on labor issues. The 31 May NAEO NA quoted Suphachai as saying "I have told the United States to stop meddling, ordering us around. People will see this as interference in our internal affairs."

According to NAEO NA, although the United States is insisting that the Treaty of Amity and Economic Relations (TAER) not be amended, Suphachai has declared that he "cannot give in" on this because "Thailand is greatly disadvantaged" by the long-standing agreement between the two countries. Suphachai has also said that the International Economic Policy Committee is attempting to amend or abolish TAER and that all future negotiations on TAER should be "consistent with the General Agreement on Tariffs and Trade (GATT)."

Regarding the Asia Pacific Economic Cooperation (APEC) group, NAEO NA quoted Suphachai as saying that Thailand wants APEC to be "simply a forum for discussion of trade issues" and that the U.S. effort to make APEC a free trade zone "is probably impossible to achieve." Although there will be continued discussions with APEC member states, "the United States probably will not get its way" since most of the group's membership--exemplified by Malaysia--shares Thailand's views on APEC's role, Suphachai said.

**Commerce Minister Appoints GATT, WTO-Related Subcommittees**

Commerce Minister Uthai Phimchaichon, in his capacity as chairman of the committee responsible for considering Thailand's obligations pursuant to the Uruguay Round of trade relations, recently annouced that Thailand will be prepared to ratify the accords by 1 January 1995. Uthai stated that his committee has proposed the establishment of 10 subcommittees to prepare for the country's membership in the World Trade Organization (WTO). The subcommittee chairs are to report their initial findings and recommendations by 15 July and their final reports by 15 August. The subcommittees are:

1. Subcommittee on WTO Membership, chaired by the director general of the Department of Business Economics

2. Subcommittee on Tariffs, chaired by the director general of the Customs Department

3. Subcommittee on Agricultural Products, chaired by the secretary general of the Office of Agricultural Economics

4. Subcommittee on Textiles and Apparel, chaired by the director general of the Department of Foreign Trade

5. Subcommittee on Sanitation and Product Standards, chaired by the secretary general of the Office of Industrial Standards

6. Subcommittee on Customs Valuation, chaired by the director general of the Customs Department

7. Subcommittee on Subsidies and Anti-Dumping Measures, chaired by the director general of the Department of Business Economics

8. Subcommittee on Services, chaired by Karun Kittisathaphon, deputy permanent secretary of the Ministry of Commerce

9. Subcommittee on Trade-Related Investment Standards, chaired by the director of the Office of Industrial Economics

10. Subcomittee on Trade and GATT, chaired by the director general of the Department of Business Economics

(Bangkok MATICHON 2 Jun 94 p 6)

**PRC Said To Punish Firms on False Labelling for Quota Evasion**

A report sourced to the Export Promotion Department stated that the PRC Government has punished four textile and apparel companies for claiming that their products originated in Thailand or Fiji. The products were to be sold in the United States. The companies involved are: Shakou Branch Co. of Dongmao Industries in Shenyang; Guangyu in Xiamen City, Fujian Province; Shifa Garment in Guangzhou; and Yongjia Garment also in Guangzhou. PRC authorities discovered that Shakou had signed a contract with a Hong Kong company to produce denim shorts (for export to Singapore) with labels claiming Fijian origin, along with towels ostensibly made in Thailand. This information was submitted to the Export Promotion Department by Kunyaphan Raengkham, the director of the Thai Business Center in Los Angeles. (Bangkok DAO SIAM 21 May 94 p 7)

**Businesses View Trade Opportunities in Cambodia**

According to the Trat Province manager for Suratyanyon Limited Partnership, the market for cars and motorcycles in nearby Koh Kong Province, Cambodia is worth about $40 million per year. (Bangkok THAN SETTHAKIT 19-21 May 94 p 39)

Nikhom Soiphet, manager of the Phnom Penh branch of Bangkok Bank, appeared optimistic about the impact of Cambodia's new foreign investment law on business activity "which has ground to a halt since April." Nikhom believes the new law will allow businessmen to move funds in and out of Cambodia without having to pay fees and commissions, while allowing for property ownership in partnership with Cambodians. (Bangkok MATICHON 1 Jun 94 p 9)

On the other hand, Sathaphon Chinachit, general manager for foreign operations and institutions at Siam Commercial Bank, was less enthusiastic, saying that "Cambodia's situation has not improved" and "all types of investment activity have slowed down." He claimed that banks in Phnom Penh have been ordered to hold down loans to investors and "if things don't get better, banks may decide to halt loan activities immediately." Moreover, banks have been told to "step up their monitoring of overdue payments" should the situation worsen. However, Sathaphon also pointed out that the fighting outside Phnom Penh has not disrupted "normal business activity" except for tourism. (Bangkok MATICHON 1 Jun 94 p 9)

**Impact of Police Raids on Copyright Violators Reported**

The Police Economic Crime Investigation Command has acted on a copyright violation complaint from the attorney for the Thai Sound Recording Association, the copyright holder for foreign music sold in Thailand. The Association filed the complaint at the request of its clients--EMI, Sony Music, BMG, Polygram, and WEA. The economic crime unit commander, Police Major General Phiphop na Ranong, ordered an investigation that led to the arrest of a suspect, Worawut Udomwetyanon, who was taken into custody on 20 May. Worawut confessed to having produced pirated tapes for more than two years. His facility, located on Charan Sanitwong Road, Bangkok, was termed a "major" production facility by the police, supplying pirated tapes to the Thonburi market. Police confiscated 16 recorders for master tapes and 111 original tapes.

Police found that Worawut had pirated music from 14 recording companies. The investigators admitted that Worawut was just one of many pirated tape producers still in operation. Investigations are ongoing in Bangkok's Khlong Thom area, where "many other large-scale" pirate producers may have found refuge. Police stated that violators are liable to a prison term of not more than two years and a fine of not more than $8,000.

According to the international label manager for EMI Corporation (Thailand), the two year-old government crackdown against copyright violators is having a positive effect. However, EMI's sales have not improved substantially, possibly because its tapes still cost about $3.60 each. (Bangkok THAN SETTHAKIT 29 May-1 Jun 94 p 39)

**Power Generating Contract Awarded to Mitsubishi Corporation**

The Electricity Generating Authority of Thailand has awarded a $208.8- million contract to Mitsubishi Corporation to build two gas-fired power stations in Greater Bangkok. The two projects are expected to be completed in May 1995. (Bangkok BANGKOK POST 24 Jun 94 p 34)

## VIETNAM

**Minister Cites 'Difficulties' Encountered by Government**

At a 21 May press conference in Ho Chi Minh City, Minister of the Government Office Le Xuan Trinh said that the national economy has continued to develop in the first five months of the year and the inflation rate is at 5.4 percent, but currently the government is facing three "difficulties:" a "severely unbalanced" budget, a capital shortage, and a "fairly great" decline in oil sale revenues due to a drop in oil prices. (Ho Chi Minh City TUOI TRE CHU NHAT 29 May 94 p 5)

**Denmark To Forgive $50-Million Debt**

According to Danish Developmental Aid Minister Helle Degn, Denmark has completed an aid plan for Vietnam, with a budget of approximately $100 million. Denmark will increase private investment in Vietnam and "officially" forgive Vietnam's debt of approximately $50 million. (Ho Chi Minh City SAIGON GIAI PHONG 25 May 94 p 1, Hanoi TUAN BAO QUOC TE 26 May-1 Jun 94 p 9)

**Half-Year Export Figures Reported**

During the first six months of the year, Vietnam exported $1.6 billion worth of goods, representing 45 percent of the year's target and a 27-percent increase over the same period last year. (Hanoi Voice of Vietnam 1100 GMT 28 Jun 94)

In the last six months, Vietnam exported 821,576 tons of rice, up 5.2 percent over the same period last year. In addition to traditional markets, Vietnam sold rice to Great Britain, Switzerland, Germany, and the United States.

As of early June, the garment industry has sold nearly $70 million worth of garments to the European Union market. (Hanoi VNA English 0638 GMT 6 Jul 94)

**Steel Joint Ventures With Japan, Singapore, Korea Established**

New steel joint ventures have recently been established in three provinces in Vietnam. They are: a $46-million venture in the Ba Ria-Vung Tau Province with Japan's Mitsui, Itochu, and Kyoei companies, to produce 240,000 tons yearly; a $22-million venture with Natsteel Ltd. of Singapore in Bac Thai Province, to produce 120,000 tons annually; and a venture with Korea's Posco Group in Hai Phong Province, to produce 200,000 tons per year. The three ventures will start operation between later this year and the end of next year. They will produce construction steel and a small quantity of tube steel and zinc-coated iron. (Hanoi VNA 0519 GMT 26 Jun 94)

**Joint Venture With Malaysian Firm To Build Noi Bai EPZ**

A 50-year joint venture between the Hanoi Industrial Construction Company and the Malaysian Vista Spectrum Company of the Renong group to build the Noi Bai Export Processing Zone (EPZ) was recently licensed by the State Committee for Cooperation and Investment. Noi Bai is the sixth EPZ in Vietnam and has $20.4 million in capital, with the Vietnamese company contributing 30 percent of the unlisted prescribed capital. The EPZ will cover 100 ha and will concentrate on electronics and high-tech industries. (Hanoi HANOI MOI 12 May 94 p 1)

**National Highway 5 Starts 'Major' Construction**

Construction of the 106-km National Highway 5 linking Haiphong City and Hanoi started recently. The highway will be completed in approximately 27 months and will start operation at the end of next year. This is reportedly a "major" construction project between the Taiwanese company Becco and the Vietnamese company Bat Son (a joint venture between the Ministry of Communications and Transportation's Company No. 8 and the Defense Ministry's Truong Son Construction Company). Another Vietnamese company, Thang Long Bridge Construction, is in charge of building the bridges on the highway. (Hanoi HANOI MOI 12 May 94 p 1)

**Joint Venture Formed To Build Minibus Plants**

The Vietnam Communications and Transportation Import-Export Company recently formed a joint venture with Mitsubishi of Japan and Persahaan Otomobil Berhad of Malaysia to build minibus manufacturing plants in Ho Chi Minh City and Song Be Province. Investment capital in the venture totals $50 million, of which 50 percent comes from Mitsubishi. (Hanoi TUAN BAO QUOC TE 2-8 Jun 94 p 9)

**Vietnam Motors Corporation To Assemble 50 BMW's**

The Vietnam Motors Corporation (VMC) will assemble 50 four-seat BMW 525's by yearend. These will be the first BMW's to be assembled in Vietnam on a CKD (complete knock down) basis. VMC will assemble an additional 100-200 cars next year. The price tag on each car will be approximately $55,000. An imported BMW currently costs about $100,000, including a 150-percent import tax.

VMC is a joint venture that was recently licensed by the State Committee for Cooperation and Investment. It is jointly owned by the Vietnamese Hoa Binh Auto Plant which has a 30-percent share, the Philippine Colombia Motor company with a 55-percent share, and the Japanese Nichimen company with a 15-percent share. This year, VMC will also assemble 300-500 cars for Renault, to be sold in Vietnam. The company currently assembles Kia and Mazda

vehicles that are reportedly selling well across the country. (Hanoi TUAN BAO QUOC TE 2-8 Jun 94 p 10)

**Increase in Ho Chi Minh City's Exports Noted**

Ho Chi Minh City's industrial exports for the first six months of this year reached $255.8 million, an increase of 10.85 percent over the same period last year. Similarly, agricultural products recorded an increase of over 8 percent, while light industry products increased by 25 percent. (Hanoi Voice of Vietnam 1430 GMT 3 Jul 94)

**Belgium Signs Accord To Upgrade Railway Infrastructure**

Vietnam and Belgium recently signed an agreement to improve the Vietnamese railway infrastructure. Under the agreement, Belgium will help repair and provide maintenance for cargo trains between Da Nang and Nam Dinh. This is reportedly the "largest railroad upgrading project in Vietnam" with a budget of $2 million. (Hanoi TUAN BAO QUOC TE 26 May-1 Jun 94 p 9)

**Tapioca Venture With Thailand To Be Established**

The Tapioca Industry Association of Thailand and the Dac Lac Provincial Food and Agricultural Materials Company plan to establish a $23-million tapioca processing factory that will have an annual production capacity of 10,000 tons, all to be marketed by the Thai side. (Hanoi VNA 1415 GMT 5 Jul 94)

**Vietsovpetro Oil Output Reported**

During the first six months of the year, Vietsovpetro produced 3.383 billion tons of oil. Three additional high-yield oil wells were exploited, raising output, despite the fact that 20 wells had to be repaired. (Hanoi Voice of Vietnam 1100 GMT 5 Jul 94)

**Electricity Sector Increases Capacity To Meet National Demand**

During the past six months, the national electric power sector has produced almost 5.9 billion kilowatt-hour of electricity, an increase of 13.5 percent over the same period last year. The north-south 500-kilovolt power line has begun operation, transferring 100-130 megawatt of electricity to the south. Meanwhile, the Hoa Binh hydroelectric power plant has put the last group of generators into operation, thus ensuring sufficient electricity for the north and helping to supply power to the south as well. (Hanoi Voice of Vietnam 1100 GMT 1 Jul 94)

**Developments in Dong Nai Province Reported**

The government plans to expand the Bien Hoa Industrial Zone from 330 ha to 396 ha. Presently, 65 factories are operational in the zone, employing 20,000 workers. In addition to Bien Hoa, the Long Binh Industrial Zone is also located in Dong Nai and covers 700 ha. Along the highway from Bien Hoa to Vung Tau City, a number of industrial zones and urban population groups have been established.

Tuy Ha is another industrial zone in the province, covering an area of 8,000-1,000 ha. Tuy Ha will be divided into small industrial and export processing zones that will include research, administrative, commercial, and tourism centers. Also within Tuy Hoa will be a town with a population of 1 million. (Hanoi VNA 0631 GMT 25 Jun 94)

**More Telephone Lines To Be Installed in 1995**

The Post and Telegraph General Department has reported that in 1995, about 750,000 telephone lines will be installed, equivalent to 1 percent of the population. Vietnam plans to cooperate with major communications companies in the world to upgrade and develop the country's telephone network. (Hanoi Voice of Vietnam 1100 GMT 4 Jul 94)

**Coal Sector Production Reported**

The coal sector produced nearly 2.4 million tons of coal during the past six months. More than 2.36 million tons have been sold, or 47 percent of the year's plan. (Hanoi Voice of Vietnam 1100 GMT 2 Jul 94)

**Quang Tri Authorized To Build Cua Viet Port**

The SRV prime minister has authorized Quang Tri Province to build the $2.7-million Cua Viet port. The port will be able to handle 200,000 tons of transit goods annually. It will have a 63-meter long wharf, six warehouses with an area of 5,500 square meters, internal roads, and dredging equipment that can handle 2,000 metric-ton ships. (Hanoi Voice of Vietnam 0500 GMT 3 Jul 94)

**Investments, Remittances From Overseas Vietnamese Reported**

According to the Central Overseas Vietnamese Commission, in the last six years, overseas Vietnamese have been involved in 36 investment projects capitalized at about $72 million. Overseas Vietnamese have sent about $700 million annually to their relatives at home and their remittances are expected to reach about $1 billion this year. (Hanoi VNA 0654 GMT 3 Jul 94)